Statutory Directive Guides
Oil Spill Program Activities

“The legislature finds that prevention is the best method to protect the unique and special marine environments in this state…”

And

“…that the primary objective of the state is to achieve a zero spills strategy to prevent any oil or hazardous substances from entering waters of the state.”

RCW 90.56.005(2)
Report Looks at Three Key Oil Spill Questions

1. What are the sources of oil spill risk into Washington’s waters?
   - *Spills occur across the state from many different sources.*

2. Do the sources of revenue (funding for oil spill activities) align with the sources of risk?
   - *No.*

3. Are there alternative funding methods?
   - *Other states have broader/different tax bases.*
   - *Aligning funding with risk faces practical hurdles.*

Consultants Identified 23 Risk Sources: Modes of Transportation & Activities

- Facilities
  - Airport
  - Facility-Milling
  - Facility-Other
  - Gas Station
  - Oil Terminal
  - Power Utility
  - Refinery
  - Residential

- Mobile
  - Aircraft
  - Railroad
  - Tanker Truck
  - Vehicle-Other

- Vessels
  - Ferry
  - Fishing Vessel
  - Non-Tank Vessel
  - Passenger Vessel
  - Pleasure Craft
  - Tank Barge
  - Tank Ship
  - Tow/Tug Boat

- Other
  - Pipeline
  - Military
  - Unknown
Relative Oil Spill Risk = Probability $\times$ Impact: Calculating Relative Risk

- Multiply per-gallon impact scores by probability
- Final risk score: provides indicator for relative measure of oil spill risk for each source category and geographic location

Analysis Uses Four Approaches for Estimating Relative Risk

- **Approach #1**: based on actual spill history into Washington waters from 1995 through 2007.
- **Approach #2**: incorporates into historic data range of *potential* spill volumes.
- **Approach #3**: incorporates into historic data *known and projected changes* in regulations, industry operation, and traffic for the year 2015.
- **Approach #4**: incorporates into *potential* spill volumes *known and projected changes* in regulations, industry operations, and traffic for year 2015.
Approach #1 – **Historic** Spill Data

- Risk is spread across all sources.
- Assumes what has happened since 1995 continues into future.
- Even those sources with low relative risk are still sources of risk.

Note: Scores represent relative risk across all waters of the state.
Scores add to 100. Numbers may not total due to rounding.

Rank-Ordered Risk Sources

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Approach #2 – **Potential** Spillage

- Risk is spread across all sources.
- By assuming small probability of worst-case discharge, rank orders change.
- Even those sources with low relative risk are still sources of risk.

Note: Scores represent relative risk across all waters of the state.
Scores add to 100. Numbers may not total due to rounding.

Rank-Ordered Risk Sources
Approach #3 – Projected Changes in 2015 Based on Historic Data

- Risk is spread across all sources.
- Adjusting historic data for changes in regulations, industry operations, and vessel traffic changes rank order.
- Even those sources with low relative risk are still sources of risk.

Note: Scores represent relative risk across all waters of the state. Scores add to 100. Numbers may not total due to rounding.

Approach #4 – Projected Changes in 2015 Based on Potential Spillage

- Risk is spread across all sources.
- Adjusting potential spillage for changes in regulations, industry operations, and vessel traffic changes rank order.
- Even those sources with low relative risk are still sources of risk.

Note: Scores represent relative risk across all waters of the state. Scores add to 100. Numbers may not total due to rounding.
No One Approach is “Better”

- Multiple ways of analyzing risk: this study uses four.
- Each is different—one approach is not “better” than another.
- Fundamentally, all approaches attempt to predict the future, which is uncertain.
- Risk will change over time—one large spill might change ranking.

Do Oil Spill Taxes Directly Align With the Sources of Risk?

<table>
<thead>
<tr>
<th>Sources of Risk</th>
<th>Two Major Sources of Revenue: Oil Spill Taxes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Based on transportation mode or activity such as: Pipeline Tank Barge Manufacturing Facility</td>
<td>Based on ownership of oil when it is first received in a storage tank at a marine terminal, from a waterborne vessel or barge</td>
</tr>
</tbody>
</table>
Three Additional Considerations When Funding Oil Spill Programs

1. Attributes of a high-quality tax structure
   - *Equitable, inexpensive and efficient to administer, with minimal impacts on economic decision making*

2. Impacts of U.S. Constitution on Washington tax law
   - *U.S. Constitution’s Interstate Commerce Clause*

3. Practices of other coastal states
   - *May not align with risk, but provide alternatives:*
     - Oregon taxes each vessel trip
     - New Hampshire includes pipelines
Summary of Answers to Three Key Questions

1. Sources and risks?
   • Spills occur across the state from many different sources.

2. Alignment with funding?
   • Current sources of oil spill revenues do not align with sources of risk.

3. Alternative funding sources?
   • While not necessarily risk based, some other states have broader or different tax bases.

Consider Practical Issues if Goal is Aligning Risk With Funding

• Multiple transportation modes and activities across the state associated with oil spill risk
• Risk changes over time
• Develop data system for risk assessment
• Select specific risk assessment approach
No Recommendations in Report: Agencies Provided Opportunity to Comment

- OFM and the Department of Revenue had no specific comments.
- The Department of Ecology, the Department of Fish and Wildlife, and the Oil Spill Advisory Council provided detailed comments.

Department of Ecology’s Response Addresses Workload and Funding

- Ecology states that JLARC identifies sources of risk not regulated by Ecology’s Spills Program. If the Legislature wants them regulated, additional funding and authority is required.
- Ecology states that the Spills Program needs a fully reliable, equitable, and sustainable funding mechanism.
- Ecology states that any new fee should be:
  - Proportionate to current program workload;
  - Based on industry sectors the Spills Program currently regulates; and
  - Administratively efficient and legally sustainable.
### Fish And Wildlife’s Response Addresses Methodology and Funding

- Department of Fish and Wildlife cautions policy makers against attaching too much accuracy to actual numbers in the report. Near misses are not included in JLARC’s data.
- The Department points out that: sources of risk are diverse; the presence of oil creates risk; a funding solution based on each exchange of oil and petroleum products might be more practical.
- The Department states that the spills program has been instrumental in reducing spill risk; gains will be diminished if programs are reduced due to a lack of funding.

### Oil Spill Advisory Council’s Response Addresses Funding and Alignment

- Based on indications in the report, the Council states that it would be almost impossible to directly align revenue with percentage of risk posed.
- According to the Council, the Legislature should consider:
  - Charging a fee or tax related to oil itself or commodity activity, and as close to the well head as possible;
  - Eliminating the barrel tax, replace with fee on all bulk transfers of oil products on, over, or within a distance that could drain to waters of state; and
  - Ecology’s proposed oil handling fee.
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